

SOUTH CAROLINA STATE LIBRARY

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

January 14, 2020

Ms. Leesa M. Aiken, Director
and
Members of the South Carolina State Library Board
South Carolina State Library
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the South Carolina State Library (the Library), on the systems, processes and behaviors related to financial activity of the Library for the fiscal year ended June 30, 2019. The Library's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Library. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Library has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the Board and management of the South Carolina State Library and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed-Upon Procedures Related to the South Carolina State Library (H87)**

Cash Disbursements/Non-Payroll Expenditures

1. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$150,000 in General Funds, \$10,000 in Earmarked Funds, \$200,000 in Restricted Funds, and \$100,000 in Federal Funds and 10%.
2. Haphazardly select fifteen non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by State Library procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by State Library procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the State Library.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Determine that disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.
 - Lottery disbursement was monitored and expended in compliance with Proviso 3.1 of the fiscal year 2019 Appropriation Act.

For federally funded cash disbursements/non-payroll expenditures, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.
3. Haphazardly select five purchasing card transactions from the Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2019 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with State Library policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

4. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$150,000 in General Funds, \$10,000 in Earmarked Funds, \$200,000 in Restricted Funds, and \$100,000 in Federal Funds and 10%.

Payroll (Continued)

5. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
6. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of changes greater than 10%.
7. Haphazardly select five employees and inspect supporting documentation during the fiscal year to:

For Salaried Employees:

- Obtain and inspect the employee's payroll and/or personnel file for various forms, communications, etc., to confirm that the person is a bona fide employee of the State Library.
 - Agree gross pay to supporting documentation confirming all changes to gross salary for the year. Determine that all changes have been properly approved.
8. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the State Library's policies and procedures, that the employee's last pay check was properly calculated, and that the employee's leave payout was properly calculated in accordance with applicable State law.
 9. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the State Library's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.

Finding

The Library posted a journal entry to correct a previous payroll recording error. However, the correcting entry was posted to an incorrect fund, resulting in a negative expenditure balance of \$10,360 in the 501-GL Accounts (Personal Service) in the Earmarked Fund.

Management's Response

The South Carolina State Library failed to setup a new employee payroll in SCEIS prior to payroll posting which resulted in the system placing the payroll into a default account. The agency was notified of the error and made a journal entry to correct the error; however, the correction was posted to an incorrect fund. The agency will closely review all transactions in the future to ensure proper classification/recording.

Journal Entries and Transfers

10. Haphazardly select five journal entries and transfers for the fiscal year to:
 - Trace postings to the general ledger, confirming amounts agree with supporting documentation.
 - Confirm transaction is properly approved.
 - Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of our procedures.

Reporting Packages

11. Obtain copies of fiscal year end reporting packages submitted to the Office of the State Comptroller General (CG). Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

12. In addition to the procedure above, perform the following:

- Prepaid Expenses Reporting Package

Haphazardly select five prepaid expenses to determine if the amounts were properly classified, calculated and reported based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger and invoices.

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or State Library prepared records.

- Operating Leases Reporting Package

Determine if amounts agree to the SCEIS general ledger, the SCEIS Yearend Rptg Operating Lease Expense with Vendor report and/or State Library prepared records. In addition, based on inspection of invoices and lease agreements, determine if rental payments were properly classified, coded and calculated by inspecting the following reported amounts: (1) Five haphazardly selected contingent rental payments; (2) One haphazardly selected payment for one vendor included in each of the remaining rental payment classifications.

In addition, confirm that the State Library submitted copies of all leases to the CG in accordance with the CG's reporting package instructions.

- Subsequent Events Questionnaire

Determine if responses are reasonable/accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and/or State Library prepared records.

Findings

Reporting Package Submission - The Library submitted two reporting packages after the due dates established by the CG.

Operating Leases Reporting Package - The Library misclassified a rental payment of \$2,434 for a cancelable lease as a contingent rental payment on the Operating Leases Summary Form.

In addition, the Library did not submit copies of all leases to the CG in accordance with reporting package instructions.

Reporting Packages (Continued)

Management's Response

Reporting Package Submission - The South Carolina State Library submitted the two closing packages after the due dates due to the Director of Finance position vacancy. Once the position was filled the Director worked with the Comptroller General's Office to meet deadlines.

Operating Leases Reporting Package - The South Carolina State Library misclassified a rental payment of \$2,434. The one year or less payment should have been classified as a cancelable lease. We have noted to process future renewables and one year or less leases as cancelable leases.

Travel Advances

13. Haphazardly select five travel advances and inspect supporting documentation to:
- Determine that the travel advance was not made to an employee for travel within the state without proper approval from the CG.
 - Determine that the travel advance was not made for more than 80% of the estimated amount of total travel expenses or made in instances where 80% of the estimated travel expense does not exceed \$250.
 - Determine that the State Library maintained adequate records/supporting documentation regarding the advance.
 - Determine that the travel advance was submitted for approval no later than seven business days prior to the beginning of the trip.
 - Confirm the traveler repaid the advance within thirty days after the end of the trip.

We found no exceptions as a result of our procedures.

Appropriation Act/Laws

14. Confirm that an inventory of State Library property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws 10-1-140.
15. Confirm that the State Library submitted to the State Human Affairs Commission employment and filled vacancy data by race and sex by October thirty-first of the fiscal year in accordance with Proviso 117.13 of the fiscal year 2019 Appropriation Act.
16. Confirm compliance with the selected agreed-upon Library-specific State provisos by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of our procedures.

Status of Prior Findings

17. Through inquiry and inspection, determine if the State Library has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We found no exceptions as a result of our procedures.